

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57787

**WASHTUCNA SCHOOL DISTRICT No. 109**

Adams County, Washington

September 1, 1994 Through August 31, 1995

Issue Date: October 11, 1996

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**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements, as listed in the table of contents, of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Washtucna School District No. 109 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington (RCW) 43.09.260*. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT NO. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Schedule Of Findings**

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1. The District Should Improve Internal Control Procedures Over Revenues

During our audit we identified several weaknesses in the internal control procedures for recording district and Associated Student Body (ASB) revenues. Our audit tests disclosed that:

- a. Segregation of duties is not maintained between depositing and reconciliation responsibilities. Cash is being deposited by the same employee who prepares bank reconciliations and agrees the district records to the county records. There is no supervisory review of this person's duties.
- b. Inventory, receipting, and reconciliation procedures over ASB concessions were inadequate to determine if all revenue is properly recorded. There are no procedures in place to determine if concession sales and deposited receipts are comparable.
- c. The ASB advisors or district management do not prepare and maintain documentation to determine if revenue from fundraising activities is reasonable. There is no supervisory review of the duties of the ASB advisors as related to the management of fundraising activities.

The district does not have formal policies and procedures for cash handling. In addition, there are no policies and procedures for supervisory review. Inadequate internal controls decrease accountability for revenues and increase the potential for fraud and/or misappropriation to occur and not be detected. Weak internal controls also make it difficult to fix responsibility.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensure that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

We recommend the district develop, implement, and enforce more effective procedures for receipting and recording of district and ASB revenues.

*Auditee's Response*

*Being a small district with limited personnel, the district tries to invoke as many checks and balances as possible. Upon the auditor's recommendation the district will add another step of having the*

*students reconcile their daily snack bar revenues with their cash register receipts and try to have someone initial the local deposit slip after the deposit. It is true that a cost of goods sold could be implemented better showing a printout of goods purchased, receipts with register tapes attached to show revenues and then ASB general office receipts attached to these documents with a running summary of total activity. The district will try and get this system in place in the 1996-97 school year. The district will develop a form and policy to cover the procedures for supervisory review of the fundraiser profitability and accounting procedures.*

#### Auditor's Concluding Remarks

We appreciate the district's timely response to our finding. We will review this area in our next audit.

#### 2. The District Should Implement Procedures To Ensure Staff Mix Is Accurately Reported

Our audit of the Legislative Evaluation and Accountability Program (LEAP) placement for certificated personnel resulted in occurrences of incorrect reporting of eligible credits earned and years of experience.

We tested personnel files of four of the thirteen certificated personnel for proper reporting of staff mix factors. Two of the records included academic and excess credits less than reported, one was greater than reported credits, and the fourth record showed the highest level degree attained one year later than what was reported.

Staff mix factors are an integral part of the state funding formula for school districts. The factors are determined by each individual's educational training and professional experience as of October 1 of each year, and assigning to them on this basis, the appropriate staff mix factor from the LEAP table.

*Washington Administrative Code 392-121-270 states in part:*

*Each certificated instructional employee with a degree shall be placed on the state-wide salary allocation schedule and on LEAP Document 1 based on the employee's years of experience, highest degree level, and total eligible credits as defined in this chapter.*

District officials were unaware of the errors in reporting staff mix factors to the Superintendent of Public Instruction (SPI).

We recommend the school district correct all staff mix factors reported to SPI and review all certificated personnel files to ensure that information is current and correct.

#### Auditee's Response

*All certificated staff will be reviewed and placed on a worksheet designating academic credits and clock hours, college/workshop of issue, and year of issue. This worksheet will be kept in the personnel file and updated as needed. This information will be checked with the assistance of another person for double verification. A letter of correction has been sent to the State Apportionment Office stating the correct information for 1994-95. A new S-727 for 1995-96 with the corrections has been transmitted to the State Apportionment Office.*



Auditor's Concluding Remarks

We appreciate the district's effort to correct the errors in a timely manner. We will review this area in our next audit.

**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Financial Statements**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the accompanying financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the district prepares its financial statements on the cash basis of accounting prescribed by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Washtucna School District No. 109 as of August 31, 1995, and the revenues it received and expenditures it paid for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 1996, on our consideration of the district's internal control structure and a report dated June 12, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Supplementary Information**  
**Schedule Of Federal Financial Assistance**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Washtucna School District No. 109 taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT NO. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended August 31, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Nonmajor Federal Financial Assistance Program Transactions**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996.

In connection with our audit of the financial statements of the district and with our consideration of the district's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to nonmajor federal financial assistance programs for the fiscal year ended August 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures, eligibility of the individuals or groups to whom the district provides federal financial assistance, and matching, level of effort and/or earmarking, reporting, and special tests that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Washtucna School District No. 109 had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 12, 1996

**WASHTUCNA SCHOOL DISTRICT No. 109**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

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Board of Directors  
Washtucna School District No. 109  
Washtucna, Washington

We have audited the financial statements of Washtucna School District No. 109, Adams County, Washington, as of and for the fiscal year ended August 31, 1995, and have issued our report thereon dated June 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 12, 1996.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Cash disbursements
  - Payroll
  - General ledger
- **General Requirements**
  - Political activity
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Administrative requirements
- **Specific Requirements**
  - Types of services
  - Eligibility
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Receivables
  - Accounts payable
  - Purchasing and receiving
  - Inventory control
  - Property, plant, and equipment
- **General Requirements**
  - Davis-Bacon Act
  - Relocation assistance and real property acquisition
  - Drug-Free Workplace Act
  - Subrecipient monitoring

During the fiscal year ended August 31, 1995, the district had no major federal financial assistance programs and expended 51 percent of its total federal financial assistance under the following nonmajor



federal financial assistance programs: Chapter 1 (CFDA 84.010), Chapter 2 (CFDA 84.151), Vocational Education (CFDA 84.048), and USDA Commodities (CFDA 10.550).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 12, 1996